



EP-LB

Comptroller of the Currency
Administrator of National Banks

Large Bank Supervision

Comptroller's Handbook

July 1998

EP

Introduction

Background	1
Supervision by Risk	3
Risk Definition	4
Risk Management	4
Measuring and Assessing Risk	7
Core Assessment	7
Risk Assessment System	8
The Supervision Process	10
Planning	10
Examining	12
Communicating	16

Appendix

A. Core Assessment	21
Credit Risk	21
Interest Rate Risk	25
Liquidity Risk	29
Price Risk	34
Foreign Currency Translation Risk	37
Transaction Risk	40
Compliance Risk	43
Strategic Risk	46
Reputation Risk	48
Internal Controls	50
CAMELS	52
B. Risk Assessment System	56
Credit Risk	56
Interest Rate Risk	60
Liquidity Risk	64
Price Risk	68
Foreign Currency Translation Risk	71
Transaction Risk	74
Compliance Risk	77
Strategic Risk	80
Reputation Risk	83
C. Risk Matrix	85

References	86
------------	----

Background

This booklet explains the philosophy and methods of the Office of the Comptroller (OCC) in supervising large national banks. Initiated in 1979 as the multinational banking program, the OCC's system of supervising large banks has undergone periodic revision over the years to accommodate structural shifts in the industry and refinements in supervisory techniques.

The large bank program described in this booklet generally applies to national banks with total assets of \$1 billion or more and all of their affiliated national banks. For administrative purposes, the agency supervises this portfolio in two groups: The largest banks (total assets greater than \$25 billion) are assigned to large bank deputy comptrollers in Washington; the remainder (assets between \$1 billion and \$25 billion, or "mid-size" banks) are assigned to assistant deputy comptrollers in OCC's districts. Because many national banks serve as the "anchors" of diversified financial organizations, the large bank program also assesses the risks to the bank posed by related entities, to the extent necessary to reach conclusions about the consolidated organization. This overall approach is consistent with the cross-guaranty provision of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the capital maintenance provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

The program described in this booklet is administered by a select cadre of highly skilled and experienced examiners with special expertise in large bank operations. Because of the vast — and in some cases global — operating scope of a number of these banks, the OCC assigns examiners to work full-time at those institutions to maintain an ongoing program of risk assessment, monitoring, and communications with bank management and directors. Personnel selected for these assignments are rotated periodically to ensure that an objective and fresh supervisory perspective is maintained.

The OCC's large bank supervision objectives are designed to:

- Determine the condition of the bank and the risks associated with current and planned activities, including, when relevant, risks originating in subsidiaries and affiliates.
- Evaluate the overall integrity and effectiveness of risk management systems, using periodic validation through transaction testing.
- Enforce banking laws and regulations.

- Communicate findings, recommendations, and requirements to bank management and directors in a clear and timely manner, and obtain informal or formal commitments to correct significant deficiencies.
- Verify the effectiveness of corrective actions, or, if actions have not been undertaken or accomplished, pursue resolution through more aggressive supervision or enforcement actions.

In addition to performing their own analyses, the OCC's large bank examiners leverage the work of other OCC experts, other regulatory agencies, and outside auditors and analysts to regulate the bank. As the size and complexity of a bank's operations increase, so too does the need for close coordination among all affected regulators.

This booklet introduces several program revisions designed to ensure that risks are properly assessed and evaluated across the bank's entire organization, regardless of its size, the diversity of its operations, or the existence of subsidiaries and affiliates. The most significant revision described herein is a reformatted framework consisting of the following three components:

- **Core Knowledge** — the database of information that defines the bank's culture, risk tolerance, and other internal and external factors. This system modifies the format and content of such information, enabling examiners to communicate critical data to each other with greater consistency and efficiency.
- **Core Assessment** — standards or procedures that guide examiners in reaching conclusions regarding both risk and CAMELS ratings. Examiners must reach these conclusions during the course of each supervisory cycle, i.e., 12 months, to meet the requirements of a full-scope examination. The core assessment guidance in this booklet applies to all large banks, regardless of size or complexity, and is designed to permit flexibility and discretion in developing supervisory strategies that respond to existing and emerging risks (see appendix A).
- **Optional Procedures** — detailed guidance that explains how to examine specific activities or products that warrant extra attention beyond the core assessment. These procedures are found in other booklets of the *Comptroller's Handbook*. Their use can be determined during pre-examination planning, or may result from preliminary conclusions reached during the core assessment.

Supervision by Risk

The OCC recognizes that banking is a business of taking risk in order to earn profits. While banking risks historically have been concentrated in traditional banking activities, the financial services industry has evolved in response to market-driven, technological, and legislative changes. These changes, which have allowed banks to expand product and geographic diversity, have also increased the complexity of the bank's consolidated risk exposure. Because of this complexity, a bank's risk must be evaluated, controlled, and managed according to the risk's significance. The evaluation of risk must take into account how nonbank activities within a banking organization affect the bank. Consolidated risk assessments should be a fundamental part of managing the bank.

Risks that all large banks assume are varied and complex and warrant a risk-oriented supervisory approach. Under this approach, examiners do not attempt to prohibit risk-taking but rather attempt to ensure that banks understand and control the levels and types of risk they assume. As an organization grows more diverse and complex, risk management must keep pace. When risk is not properly managed, the OCC directs bank management to take corrective action. In all cases, the OCC's primary concern is that the bank maintain capital commensurate with its risk.

Supervision by risk allocates greater resources to those areas with higher risks. The OCC accomplishes this by:

- Identifying risk using common definitions. The categories of risk, as they are defined, are the foundation for supervisory activities.
- Measuring risk using common methods of evaluation. Risk cannot always be quantified in dollars. For example, numerous internal control deficiencies may indicate excessive transaction risk.
- Evaluating risk management to determine whether bank systems adequately manage and control existing levels of risk.

To accomplish these tasks, examiners should discuss preliminary conclusions regarding risks with bank management, adjusting those conclusions, if appropriate. The OCC can then focus supervisory efforts on significant risks, i.e., the areas of highest risk within the bank, the consolidated banking company, and the banking system.

Examiners must establish the risk profile of the consolidated company to fully implement supervision by risk. Although examiners must delineate the risk profiles for the lead bank and significant national bank affiliates before consolidating these profiles, the consolidated approach recognizes that risks at individual institutions may be mitigated or increased in the company as a

whole. In order to perform a consolidated analysis, an examiner should obtain pertinent information from banks and affiliates, verify transactions flowing between banks and affiliates, and obtain information from other regulatory agencies, as necessary.

Risk Definition

For purposes of the OCC's discussion of risk, the OCC assesses banking risk relative to its impact on capital and earnings. From a supervisory perspective, risk is the potential that events, expected or unanticipated, may have an adverse impact on the bank's capital or earnings.

The simple existence of risk is not necessarily reason for concern. To put risks in perspective, examiners should decide whether the risks a bank is undertaking are warranted. Generally, a risk is warranted when it is understandable, measurable, and controllable. In other words, it should be within the bank's capacity to readily withstand the financial adversity that such risk could cause. If examiners determine that risks are excessive, they must communicate to management and the directorate the need to mitigate or eliminate the excessive risks. Appropriate actions may include reducing exposures, increasing capital, or strengthening risk management processes.

The OCC has defined nine categories of risk for bank supervision purposes. These risks are: *credit, interest rate, liquidity, price, foreign currency translation, transaction, compliance, strategic, and reputation*. These categories are not mutually exclusive; any product or service may expose the bank to multiple risks. For purposes of analysis and discussion, however, the OCC identifies and assesses the risks separately. The risk definitions are found in appendix B, "Risk Assessment System."

Risk Management

Because market conditions and company structures vary, there is no single risk management system that works for all companies. Each institution should tailor its risk management program to its needs and circumstances. Sound risk management systems, however, have several things in common; for example, they are independent of risk-taking activities. Regardless of the risk management program's design, each program should:

- *Identify risk:* To properly identify risks, a bank must recognize and understand existing risks or risks that may arise from new business initiatives, including risks that originate in nonbank subsidiaries and affiliates. Risk identification should be a continuing process, and should occur at both the transaction and portfolio level. Proper risk identification is critical for banks undergoing mergers and consolidations to ensure that risks are appropriately addressed. Risk identification in

merging companies begins with the establishment of uniform definitions of risk; a common language helps to ensure the merger's success. Larger, more complex companies must assess the impact of increased transaction volume across all risk categories.

- *Measure risk:* Accurate and timely measurement of risks is essential to effective risk management systems. A bank that does not have a risk measurement system has limited ability to control or monitor risk levels. Further, the more complex the risk, the more sophisticated should be the tools that measure it. A bank should periodically test to make sure that the measurement tools it uses are accurate. Good risk measurement systems assess the risks of both individual transactions and portfolios. During the transition process in bank mergers and consolidations, the effectiveness of risk measurement tools is often impaired because of the technological incompatibility of the merging systems or other problems of integration. Therefore, the resulting company must make a strong effort to ensure that risks are appropriately measured across the consolidated entity.
- *Control risk:* The bank should establish and communicate limits through policies, standards, and procedures that define responsibility and authority. These control limits should be valid management tools; management should be able to adjust them when conditions or risk tolerances change. The bank should have a process to authorize exceptions or changes to risk limits when warranted. In banks merging or consolidating, the transition should be tightly controlled; business plans, lines of authority, and accountability should be clear. Large, diversified companies should have strong risk controls covering all geographies, products, and legal entities.
- *Monitor risk:* Banks should monitor risk levels to ensure timely review of risk positions and exceptions. Monitoring reports should be frequent, timely, accurate, and informative and should be distributed to appropriate individuals to ensure action, when needed. For large, complex companies, monitoring is essential to ensure that management's decisions are implemented for all geographies, products, and legal entities.

Effective risk management requires an informed board, capable management, and appropriate staffing. The board must establish the company's strategic direction and risk tolerances. In carrying out these responsibilities, the board should approve policies that set standards. Well-designed monitoring systems will allow the board to hold management accountable for operating within established tolerances.

Capable management and appropriate staffing are essential to effective risk management. Bank management is responsible for the implementation,

integrity, and maintenance of risk management systems. Management also must keep the directors adequately informed. Management must:

- Implement the company's strategic direction.
- Develop policies that define the institution's risk tolerance and ensure that they are compatible with strategic goals.
- Ensure that strategic direction and risk tolerances are effectively communicated and adhered to throughout the organization.
- Oversee the development and maintenance of management information systems to ensure that information is timely, accurate, and pertinent.

While capable management and staff are important to all banks, they are especially important to the largest, most diversified institutions. Large conglomerates must focus on retaining and recruiting capable executives, line managers, risk management personnel, and back-office staff to manage the larger, more diverse operations. The skills (and what a bank must pay the personnel who have them) are unlike those required in less diversified and complex companies. Mergers and consolidation also present complicated personnel challenges; merger plans should lay out strategies for retaining the staff members essential to risk management.

When examiners assess risk management systems, they consider the bank's policies, processes, personnel, and control systems. If any one of these areas is deficient, so is the bank's risk management.

- *Policies* are statements of the bank's commitment to pursue certain results. Policies often set standards (on risk tolerances, for example) and recommend courses of action. Policies should express a bank's underlying mission, values, and principles. A policy review should always be triggered when a bank's activities or tolerances change.
- *Processes* are the procedures, programs, and practices that impose order on the bank's pursuit of its objectives. Processes define how daily activities are carried out. Good processes are consistent with the underlying policies, are efficient, and are governed by checks and balances.
- *Personnel* are the staff and managers that execute or oversee processes. Good staff and managers are qualified, competent, and perform as expected. They understand the bank's mission, values, policies, and processes. Compensation programs should be designed to attract, develop, and retain qualified personnel.

- *Control systems* are tools and information systems that bank managers use to measure performance, make decisions about risk, and assess the effectiveness of processes. Feedback should be timely, accurate, and pertinent.

Measuring and Assessing Risk

Using the OCC's core assessment standards as a guide, an examiner obtains both a current and prospective view of a bank's risk profile. (This profile incorporates the profiles of both bank and nonbank subsidiaries.) This risk assessment drives supervisory strategies and activities. It also facilitates discussions with bank management and directors and helps to ensure more efficient examinations.

The core assessment standards complement the OCC's risk assessment system (RAS), which concisely documents judgments regarding the quantity of risk, the quality of risk management, the level of supervisory concern (measured as aggregate or composite risk), and the direction of risk. Together, the core assessment standards and RAS give the OCC the means to assess existing and emerging risks in large banks, regardless of size or complexity.

Core Assessment

Core assessment standards are the minimum conclusions that must be reached during the 12-month supervisory cycle for large banks. The core assessment standards are detailed in appendix A. The standards are designed to ensure that examiner judgment and discretion are preserved, while establishing a consistent set of required considerations. The inherent flexibility of the core assessment standards allows for the application of the standards to all companies. Using these standards, examiners can easily assess risks for all product lines and legal entities. The consistent structure of the core assessment also facilitates the analysis of risk in merging companies because examiners use a common language and the same standards to assess all companies.

When using the core assessment standards, examiners should use judgment in deciding how to carry through on the considerations and how much independent testing is needed. Examiners should be alert to specific activities or risks that could be cause for the examiner-in-charge (EIC) to broaden the scope of the examination. Examiners are encouraged to expand the examination procedures to include the optional procedures outlined in additional *Comptroller's Handbook* booklets. To ensure that risks are assessed appropriately, examiners are encouraged to refer to the *Comptroller's Handbook* booklets such as "Loan Portfolio Management" and "Board and Management Supervision." (As of July 1998, "Board and Management Supervision" has yet to be published.)

The core assessment standards are designed to complement the RAS and include minimum standards for each risk category. They also detail the criteria outlined in OCC Issuance 97-1, "Uniform Financial Institutions Rating System and Disclosure of Component Ratings," for CAMELS conclusions. Given the importance of a strong internal control culture, the OCC has also defined standards for internal controls that contain the minimum conclusions examiners must reach regarding each bank's control environment. The internal control standards are similar to industry standards for internal controls, as defined by the Commission of Sponsoring Organizations of the Treadway Commission (COSO).

The core assessment must be completed for each consolidated company and each significant national bank every 12 months. The conclusions in the core assessment can be drawn more often, if deemed appropriate by the EIC or supervisory office.

Risk Assessment System

By completing the core assessment and, as necessary, other more detailed procedures, examiners assess the risk exposure for the nine categories of risk using the RAS framework. For seven of the risks – credit, interest rate, liquidity, price, foreign currency translation, transaction and compliance, the supervisory process is as follows:

- "Quantity of risk" is the level or volume of risk that exists and is characterized as high, moderate, or low.
- "Quality of risk management" is how well risks are identified, measured, controlled, and monitored and is characterized as strong, satisfactory, or weak.
- "Aggregate risk" is a summary judgment about the level of supervisory concern; it incorporates judgments about the quantity of risk and the quality of risk management (examiners weigh the relative importance of each). The examiner's assessment of aggregate risk may be influenced by mitigating factors, such as insurance, that were not necessarily considered in the decisions on quantity of risk and quality of risk management. Aggregate risk is characterized as high, moderate, or low. Aggregate risk assessments direct the specific activities and resources outlined in supervisory strategies.
- "Direction of risk" is the probable change in the bank's risk profile over the next 12 months and is characterized as decreasing, stable, or increasing. The direction of risk often influences the supervisory strategy, including how much validation is needed. If the risk is decreasing, the examiner expects, based on current information, aggregate risk to decline over the next 12 months. If the risk is stable,

the examiner expects aggregate risk to remain unchanged. If the risk is increasing, the examiner expects aggregate risk to be higher in 12 months.

Because an examiner expects aggregate risk to increase or decrease does not necessarily mean that he or she expects the risk level at the bank to change within 12 months. An examiner can expect movement **within** the risk level (e.g., risk is decreasing but not enough to change the characterization of that risk as high). In such circumstances, examiners should explain in narrative comments why no change in risk level is expected.

The other two categories of risk, strategic risk and reputation risk, are less quantifiable than the seven just discussed. Although these two risks affect the bank's franchise value, examiners can not measure them precisely. Consequently, the OCC has a modified risk assessment and measuring process for them. The supervisory process is as follows:

- "Composite risk" is a summary judgment about the level of supervisory concern; it incorporates all elements that affect strategic risk and reputation risk. Composite risk is characterized as high, moderate, or low, and the characterizations direct the specific activities and resources outlined in supervisory strategies.
- As indicated above, "direction of risk" is the examiners' view of how the risk profile will change over the next 12 months. It is characterized as decreasing, stable, or increasing.

Using their assessments of the nine risks, examiners establish the overall risk profile of the institution. By combining the assessment of each significant national bank with those of significant nonbank subsidiaries and affiliates, an examiner can establish the consolidated risk profile of the company. The relative importance of each risk, both for the individual bank and for the holding company, should influence the development of the strategy and the assignment of resources.

Examiners should complete a *consolidated* RAS quarterly (see appendix B). Examiners must also complete the RAS for each significant national bank affiliate every 12 months. A bank's RAS should be updated more often if the consolidated risk profile dictates it. Conclusions drawn from the consolidated and individual bank risk assessments are captured in OCC's electronic information system (see appendix C for a table showing how assessments of quantity of risk and quality of risk management converge).

Examiners should discuss these conclusions with appropriate management and the board. Information provided by bank management may help the examiner to clarify those conclusions or may cause the examiner to modify

them. Good communication will usually ensure the success of these discussions. Although the OCC does not require bankers to adopt a risk assessment process like that of the agency, a common terminology will facilitate understanding. Following successful discussions, the OCC and company management will have a common understanding of the bank's risks, the strengths and weaknesses of its risk management, and future supervisory plans.

The Supervision Process

The supervision of large banking companies is a cyclical process. Particularly in the largest and most complex banks, which have resident OCC staff, the process can be a continual cycle of planning and examining. Communication of the results of examinations and supervisory planning is an integral part of an OCC examiner's job. Such communication facilitates open and useful discussion between bankers and examiners.

Planning

Planning is essential to effective supervision. The purpose of planning is to develop detailed strategies for effectively and efficiently supervising each company. Planning begins with a careful and thoughtful assessment of a bank's current and anticipated risks. In other words, the risks of both existing and planned banking activities should be assessed. New bank activities may be either traditional bank activities that are new to the bank or activities new to the financial services industry. Planners should also consider the company's merger and acquisition plans.

Effective planning for all large companies, especially complex, diversified firms, requires adequate and timely communication among supervisory agencies. Examiners must maintain communication with the agencies supervising all related legal entities, so that the OCC can efficiently supervise the consolidated company. Interagency guidelines on coordination among U.S. banking regulators, which are printed in the "Examination Planning and Control" booklet of the *Comptroller's Handbook*, serve as reference for examiners. Examiners should comply with all other formalized agreements among regulators to ensure that intracompany supervision is consistent.

Planning also requires effective and periodic communication with bank management. Management can help confirm that supervisory resources are directed at the areas of highest risk, and they can make arrangements to help examiners do their jobs in the least intrusive manner. Supervisory strategies are dynamic documents reviewed and updated frequently based on company, industry, economic, legislative, and regulatory developments. Examiners should discuss supervisory strategies with bank management as the plans are made and when any of the plans are modified.

OCC examiners develop consolidated supervisory strategies for each company. If necessary, consolidated strategies can be supplemented by plans specific to one or more affiliated entities. Strategies are developed by the EIC and are reviewed and approved by the appropriate supervisory office. Strategies for each company are documented in the OCC's electronic information system.

Supervisory strategies direct examination activities. The plan should focus examiners' efforts on monitoring the continued effectiveness of the bank's risk management processes and seeking bank management's commitment to correct previously identified deficiencies. When possible, supervisory activities should rely on the bank's internal systems, including its internal and external audit activities and risk management systems, to assess the condition and the extent of risks. These systems, however, must be periodically tested and validated for integrity and reliability during the course of routine supervisory activities. This allows the OCC to assess a bank's condition and risks most efficiently and least intrusively.

Each supervisory strategy is based on:

- The **core knowledge** of the bank, including its:
 - Management.
 - Risk profile.
 - Strengths and weaknesses.
 - Supervisory history.
 - Market(s).
 - Products and activities.
 - Applicable economic conditions.
- OCC supervisory standards including:
 - **Core assessment** standards.
 - Other examination guidelines (i.e., **optional procedures** in the *Comptroller's Handbook*).
 - Supervisory priorities of the agency that may arise from time to time.
- Statutory examination requirements.

The frequency of on-site safety and soundness examinations is set by statute. Every national bank must receive a full-scope, on-site examination no less than once every 12 months. This time period may be extended to 18 months for smaller affiliated national banks that hold assets of less than \$250 million and that meet certain performance requirements. (Further information on the statutory requirements for examinations can be found in the "Bank Supervision Process" booklet of the *Comptroller's Handbook*.)

Elements of a Supervisory Strategy

Supervisory strategies have three primary elements: objectives, activities, and work plans.

Objectives define the goals of supervision for the specific institution or company based on its risk profile and other appropriate statutory or agency standards. They are the foundation for all activities and work plans. Well-defined objectives allow supervisory activities to be focused and efficient. They also help OCC managers ensure consistent and appropriate application of supervisory policy. Supervisory objectives must be clear, attainable, specific, and action-oriented.

Activities are the steps that lead to achievement of the supervisory objectives. Activities must ensure that the core assessment standards are all reviewed every 12 months. Each activity should be tied directly to one or more supervisory objectives. Activities should be focused on ensuring that risk management systems operate effectively. Accordingly, examination activities should concentrate on internal risk identification and control processes. The OCC will perform transaction testing to determine the accuracy and reliability of the systems. The higher the risk, the more extensive the sampling. Examiners should ensure that all key control functions are validated periodically (e.g., every one to three years), even those considered low risk. This periodic validation confirms the ongoing integrity and reliability of the bank's systems and controls. Activities must also include a plan for communicating with management and the board, detailing the types and frequency of communication (e.g., planning or entrance meetings, reports of examination, and meetings with the board of directors).

Work plans describe how strategies will be achieved. They outline the scope, timing, and resources needed to meet supervisory objectives and activities.

Examining

Examining is discovering a bank's condition, ensuring correction of significant deficiencies, and monitoring ongoing activities. The assessment of the bank's condition must consider the risk associated with activities performed by the bank and those activities engaged in by the nonbanking subsidiaries and affiliates. The OCC has established certain minimum activities that must occur during the supervisory cycle; the core assessment standards define that minimum. Examiners must perform sufficient work to determine the overall CAMELS, the condition of bank information systems (BIS), and the quality of fiduciary and asset management. Examiners must also complete a review of consumer compliance and the Community Reinvestment Act (CRA) every two years to update the specialty ratings.

In large banks, much of this required scope is conducted throughout the 12 months through various ongoing supervision activities or target examinations. At least some of this work must be conducted on-site. These ongoing reviews may address a portion of the required scope or they may encompass other examination work focused on specialty areas or other risks. In the smaller national bank affiliates, the on-site examination generally occurs at one time during the 12-month or 18-month period.

Discovery

Through discovery, examiners gain a fundamental understanding of the condition of the bank, the quality of management, and control provided by risk management systems. This understanding focuses the other steps of the supervision process on the areas of greatest concern.

A primary objective of discovery is to verify the integrity of internal risk management systems. This verification process includes appropriate independent testing by examiners, the extent of which should reflect the level or degree of risk present in the bank. All key control functions within a bank must be periodically validated, even those designated as low risk. Examiners should generally validate high risk areas annually, and low risk areas every three years. Exceptions to the standard are permissible when appropriately detailed in the supervisory strategy.

Specifically, in discovery examiners:

- Evaluate the bank's condition.
- Perform sufficient testing to verify the integrity of internal risk management systems.
- Identify significant risks.
- Quantify the risk, when possible and practical.
- Evaluate management and the board's awareness and understanding of the significant risks facing the institution.
- Assess the quality of risk management systems.
- Identify unacceptable levels of risk, deficiencies in risk management systems, and underlying causes.

The initial judgments and evaluations examiners make during discovery form the foundation for future supervisory activities. Many of these judgments are captured in the core knowledge database. Discovery is continual and allows examiners to periodically confirm and update their assessments to reflect

current or emerging risks. This revalidation is fundamental to effective supervision.

Correction

In correction, examiners address identified deficiencies in risk management systems or unacceptable risk levels. Correction is directed at the last two objectives of large bank supervision: seeking commitments from bank management to correct significant deficiencies and verifying that corrective actions have been successful.

In the correction process, examiners:

- Review bank-prepared action plans to resolve each significant deficiency, including the appropriateness of the time frames for correction.
- Verify that the bank is executing the plans.
- Evaluate whether actions the bank has taken or plans to take address deficiencies.
- Resolve unaddressed supervisory issues through informal or formal actions.

Examiners should ensure that bank management's efforts to correct deficiencies address *root causes* rather than symptoms. To do so, management may be required to develop new systems or improve the design and implementation of existing systems.

Action plans detail steps or methods management expects will cure the root causes of deficiencies. Bank management is responsible for developing and executing corrective action plans. Directors are expected to hold management accountable for executing action plans. The OCC's supervision of the deficient areas focuses on verifying execution of the plan, and validating its success. When determining whether to take further action, examiners consider the responsiveness of the bank in recognizing the problem and formulating an effective solution. When the bank is unresponsive or unable to effect resolution, the OCC will take more formal steps to ensure correction.

Action plans should:

- Address the underlying root causes of significant deficiencies.
- Specify actions to correct deficiencies.

- Set realistic time frames for completion.
- Establish benchmarks to measure progress towards completion.
- Identify the individual(s) within the bank who will be responsible for correction.
- Detail how the board and management will monitor and assure effective execution of the plan.

Monitoring

Ongoing monitoring allows the OCC to respond to risks facing individual banks or the industry as a whole in a timely manner. The dynamic nature of large banks makes this an important part of effective supervision.

In monitoring a bank, examiners:

- Identify current and prospective issues that affect the risk profile or overall condition.
- Consider the focus of future supervisory strategies.
- Measure the bank's progress toward correcting identified deficiencies.

Monitoring activities are directed at the consolidated company, although appropriate tailoring of activities must include the risks facing each significant affiliate national bank. The more complex an institution, the greater need for frequent and comprehensive oversight. Therefore, in addition to assessing progress in executing plans and correcting deficiencies, as needed, the OCC has established certain minimum requirements for monitoring activities for large banks.

Within 45 days of the end of each quarter, examiners must:

- Review and evaluate the company-prepared consolidated analysis of financial condition, including its significant operating units.
- Identify any significant issues that may result in changes to the CAMELS, BIS, fiduciary, consumer, and CRA ratings for the lead bank and any significant affiliate national banks. If an issue is identified that affects the rating, the examiner must update the appropriate rating, assess the impact of the change on the risk profile, and adjust the supervisory strategy to reflect the change in condition.
- Evaluate the *consolidated* risk of the company using the RAS. The risk profiles of the lead national bank and significant affiliate national banks

must, at a minimum, be updated using the RAS after the completion of the 12-month supervisory cycle. The examiner should update the RAS for each national bank more frequently if significant changes occur in the risk profile or CAMELS condition (see appendix B).

- Review and update the supervisory strategy for the company and data in the OCC's electronic information system to ensure it is current and accurate. Changes to individual bank strategies should be made if warranted. Examiners should discuss any significant changes with bank management.

Communicating

Communication is essential to high-quality bank supervision. The OCC is committed to continual, effective communication with the banks that it supervises. Communication includes formal and informal conversations and meetings, examination reports, and other written materials. All communications should be professional, objective, clear, informative, and consistent.

Communication must be open, and open communication should continue throughout the supervision process. The supervisory strategy for the company must detail plans for communication.

Communication must be tailored to the individual structure and dynamics of each bank. The timing of the communication depends on the situation being addressed. Examiners should communicate with management and the board as often as the bank's condition and examiners' findings require.

Examiners must clearly and concisely communicate significant identified weaknesses or excessive risks with the bank, allowing bank management an opportunity to resolve differences, commit to corrective action, or correct the weakness. The issues, along with the board's commitment to corrective action, should be detailed in the "Matters Requiring Board Attention" (MRBA) section of the report of examination (ROE) or in other periodic written communications.

By meeting with management often and directors as needed, examiners can ensure that all current issues are discussed. These discussions establish and maintain lines of communication and are an important source of monitoring information. Such discussions should be documented in the OCC's electronic information system.

Entrance or Planning Meetings with Management

Before a supervisory activity begins, the EIC will meet with appropriate company or bank management. At this meeting the EIC will discuss the

nature, reason, and scope of the review. Open dialogue between the OCC and company management will help to ensure a more efficient and less burdensome supervisory process.

Exit Meetings with Management

After each significant supervisory activity is completed, the EIC will meet with the company's management, prioritizing the issues identified and discussing the areas of greatest risk to the bank. Examiners should also discuss plans for future supervisory activities. Examiners should encourage bankers to respond to OCC concerns, provide clarification, discuss future supervisory plans, and ask questions. At the exit meeting, the examiners will ask for management's commitment to correct weaknesses noted during the supervisory activity.

Before conducting an exit meeting, the EIC should discuss significant findings with the appropriate OCC supervisory office. This discussion helps ensure that OCC policy is consistently applied and that OCC management supports the conclusions and corrective action.

Examiners must ensure that any significant decisions they reached during the exit meeting are adequately conveyed in the meeting with the board **and** in the written correspondence. Examiners should discuss all issues with management before discussing them with the board, unless, in the supervisory office's view, the subject is best approached confidentially with the board. Subsequent communications should be consistent in tone and content with exit meeting discussions.

Written Communication

Examiners should periodically write to the board to communicate issues that arise. These written materials should focus the board's attention on the OCC's major conclusions, including any significant problems and how they should be addressed. They should record the examiner's conclusions and concerns, as well as the actions the bank has committed to take. This record, along with other related correspondence, helps to establish and support a bank's supervisory strategy.

OCC correspondence should be clear and informative. Letters to the board should articulate supervisory issues. If necessary, such letters should explain concisely what the board should do and why. All written correspondence must define objectives and state conclusions; any significant problems, corrective actions, commitments, and time frames for correction should be specified.

Written communication must:

- Be consistent with the tone, findings, and conclusions orally communicated to the bank.
- Convey the condition of the bank or, if appropriate, an operational unit of the bank.
- Be addressed to the appropriate audience based on how the company is structured and managed.
- Discuss any excessive risks or significant deficiencies in risk management.
- Summarize the actions and commitments that will be required to correct deficiencies.
- Be concise to ensure that the issues are clear.

In addition to receiving correspondence throughout a supervisory cycle, a bank's board of directors must receive an ROE once every cycle (every 12 months or 18 months according to statute). For large banks, the ROE communicates the overall condition of the bank, summarizing examiners' activities during the most recent supervisory cycle and incorporating their findings. The ROE also identifies the root causes of any significant deficiencies examiners identified and assesses the effectiveness of the bank's corrective action plans, including how well the plans were executed.

Examiners must use the uniform common core report of examination for national banks with total assets of \$1 billion or more. Exceptions are permitted when other communications with the company clearly communicate the institution's composite and component CAMELS condition and review the significant risks. When alternate communications are used and copies provided to the other financial institution regulators, examiners should ensure that the correspondence is sufficiently informative. Other regulators should be able to reach similar conclusions about the company and to fulfill their regulatory responsibilities, i.e., the SEC's oversight of investment advisory activities, the Federal Reserve's supervision of holding companies, and the FDIC's oversight of the Bank Insurance Fund.

When the common core ROE is used, the OCC encourages examiners to communicate with the bank in other ways, as appropriate. When the common core ROE is not used (and it is not required for smaller affiliated national banks), letters or ROEs in other styles are acceptable. Regardless of the format, communications with subsidiary banks must disclose significant findings, the subsidiary's condition, and the composite and component CAMELS ratings.

Meetings with the Board of Directors

Although a national bank's board of directors is ultimately responsible for the safety and soundness of the bank, the OCC is committed to helping board members meet their responsibilities. The OCC maintains communication with boards of directors throughout the supervisory cycle to discuss OCC examination results and other matters of mutual interest, including current industry issues, emerging industry risks, and legislative issues. If necessary, the OCC will use board meetings to discuss how the board should respond to supervisory concerns and issues.

The OCC will conduct a meeting with the board of directors or an approved committee of the board *at least once during the 12-month examination cycle for the lead national bank*. Such meetings should be more frequent if examiners need to discuss supervisory concerns or other items of significance. When meetings are routinely conducted with board committees, examiners are also encouraged to periodically meet with the full board to facilitate effective communication. Examiners should conduct board meetings with affiliated national banks that are not lead banks only when supervisory concerns are significant. Senior management of the appropriate OCC supervisory office should attend and participate in board meetings with large banks. Examiners should not usually discuss subjects with the board before discussing them with senior bank management. Occasionally, the supervisory office may decide that an issue is best discussed confidentially with the board.

The EIC conducting the meeting should be prepared to discuss methods of corrective action, as well as to discuss all findings, conclusions, and comments. The EIC should encourage board members to ask questions or make comments.

OCC's Electronic Information System

On the OCC's electronic information system, examiners record the current condition, supervisory strategy, and supervisory concerns for each bank. They also document follow-up actions, board meeting discussions, commitments to corrective action, progress in correcting identified problems, and subsequent events. Using these electronic records, OCC senior management reviews the condition of individual banks and groups of banks. Other federal bank regulators also have access to the system.

Examining Circular 263, "SMS Documentation Policy," states OCC policy on updating and maintaining the information system. When the information system is updated and policy revised accordingly, examiners will receive policy guidance from the OCC.

The EIC is responsible for ensuring that the electronic files for large banks are accurate and up-to-date. Examiners should record information in these files as follows:

- Comments pertaining to or affecting the entire company should be recorded in the electronic file under the holding company charter number. The company's affiliated national bank files should refer the reader to the holding company charter number for comments about the company as a whole.
- Comments particular to a bank should be recorded in the electronic file under the bank's charter number.

Core Assessment

Credit Risk

Quantity of Credit Risk

Examiners should consider the following assessment factors when making judgments about the quantity of credit risk. These factors are the **minimum standards** that all examiners will consider when completing the risk assessment (appendix B). Examiners should apply the standards consistent with the guidelines in the “Loan Portfolio Management” booklet of the *Comptroller’s Handbook*. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Underwriting Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Changes in underwriting standards including credit score, leverage, policies, price, tenor, collateral, guarantor support, covenants, and structure.
- The borrower’s ability to service debt based on debt service coverage, debt/income ratios, and credit history.
- The volume and extent of exceptions and overrides.

	Low	Moderate	High
Strategic Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The impact of strategic factors including the target market, the portfolio and product mix, acquisitions, diversification of repayment sources, new products, third-party originations, concentrations, and securitizations.
- The maintenance of an appropriate balance between risk and reward.

	Low	Moderate	High
External Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The impact of external factors including economic, industry, competitive, and market conditions; legislative and regulatory changes; and technological advancement.

	Low	Moderate	High
Credit Quality Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The levels and trends of delinquencies, nonperforming and problem assets, losses, weighted average risk ratings, and reserves.
- Trends in the growth and volume of lending and fee-based credit activities, including off-balance-sheet, investment, payment, settlement, and clearing activities.
- Trends in the financial performance of borrowers and counterparties.
- Trends identified in loan pricing methods, portfolio analytics, loss forecasting, and stress testing methods.
- Trends in summary ratings assigned by loan review and audit.

Quality of Credit Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of credit risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. Examiners should apply the standards consistent with the guidelines in the “Loan Portfolio Management” booklet of the *Comptroller’s Handbook*. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The consistency of the credit policy with the bank’s overall strategic direction and tolerance limits.
- The appropriate balance of the credit culture between credit and marketing.
- The structure of the credit operation and whether responsibility and accountability is assigned at every level.
- The reasonableness of definitions that determine policy, underwriting, and documentation exceptions.
- The appropriateness of credit guidelines that establish risk limits or positions and whether periodic revaluation is required.
- The approval of the credit policy by the board or an appropriate committee.

	Strong <input type="checkbox"/>	Satisfactory <input type="checkbox"/>	Weak <input type="checkbox"/>
Processes			
<ul style="list-style-type: none"> • The adequacy of processes that communicate policies and expectations to personnel. • The production of timely and useful management information. • The adequacy of processes to approve and monitor compliance with policy limits. • The quality of processes to control the accuracy, completeness, and integrity of data. • The adequacy of internal controls including segregation of duties, dual controls, etc. 			
<i>Credit Granting</i>			
<ul style="list-style-type: none"> • The appropriateness of the approval process, marketing campaigns, and delivery channels. • The thoroughness of the underwriting analysis, including a sensitivity analysis of borrower projections. • The sufficiency of the method used to analyze the creditworthiness of counterparties and debt issuers to ensure repayment capacity, lien perfection, collateral valuation, and on-site inspection of collateral. • The quality of analytical resources, such as scoring systems and portfolio models, and the adequacy of their periodic revalidation. 			
<i>Credit Monitoring</i>			
<ul style="list-style-type: none"> • The adequacy of portfolio management, including the ability to identify and monitor risk relating to credit structure and concentrations. • The adequacy of portfolio stress testing, restoring, and behavioral scoring practices. • The adequacy of credit analysis, including financial assessment and comparison of projections to actual performance. • The frequency and reliability of verifying compliance with covenants. • The accuracy and integrity of internal risk-rating processes. 			
<i>Collection Efforts</i>			
<ul style="list-style-type: none"> • The development and execution of action plans and collection strategies to facilitate timely collection. • The timely involvement of a specialized collection unit. 			
<i>ALLL & Accounting Controls</i>			
<ul style="list-style-type: none"> • The method of evaluating and maintaining the allowance for loan and lease losses. • Compliance with regulatory and accounting guidelines. 			

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Personnel

- The extent of technical and managerial expertise.
- The appropriateness of performance management and compensation programs.
- The level of turnover of critical staff.
- The adequacy of training.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Control Systems

- The effectiveness and independence of the risk review, quality assurance, and audit functions.
- The accuracy, completeness, and integrity of management information systems and reports.
- The quality of exception monitoring systems that identify and measure incremental risk assumed by deviations from credit policy, established limits, and underwriting standards.
- The responsiveness of control systems to identified internal deficiencies in policy, process, and personnel.
- The responsiveness to identified deficiencies in internal controls.

Interest Rate Risk

Quantity of Interest Rate Risk

Examiners should consider the following assessment factors when making judgments about the quantity of interest rate risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Repricing Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The repricing mismatch of assets and liabilities over the short- and long-term horizon.• The adequacy of repricing distribution assumptions for nonmaturity deposit balances.• The vulnerability of earnings and capital to large interest rate changes, such as rate shocks and gradual rate shifts, e.g., a change of 200 basis points over 12 months.• The presence of over-the-counter and exchange-traded derivatives, such as futures and interest rate swaps, used for rebalancing repricing mismatches.			

	Low	Moderate	High
Basis Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The use of different indexes to price assets and liabilities (e.g., prime, CMT, Libor, and 11th District COFI) that may change at different times or by different amounts.• The presence of lagged or asymmetric pricing behavior on bank-managed rates such as consumer deposits.• The impact of changes in cash flow and repricing <i>correlations</i> between hedging instruments and the positions being hedged.			

	Low	Moderate	High
Yield Curve Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The exposure of on- and off-balance-sheet positions to changes in the yield curve's absolute level and shape (e.g., rising level with flattening slope, falling level with steepening slope, curve inverts, and twists).

	Low	Moderate	High
Options Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The extent of written (sold) options embedded in assets (e.g., loan and mortgage prepayments, interest rate caps and floors embedded in adjustable rate loans, and callable securities).
- The potential impact of written options embedded in liabilities (e.g., early deposit withdrawals, nonmaturity deposit elasticities, and callable liabilities).
- The volume of over-the-counter and exchange-traded options contracts.

	Low	Moderate	High
Strategic Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The ability of the funding strategy to tolerate adverse interest rate movements.
- The impact of the bank's overall business strategy on interest rate risk (e.g., entering into new business activities or speculating on the direction and volatility of interest rates).

	Low	Moderate	High
External Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The ability to withstand changes in interest rates caused by external factors including economic conditions, industry conditions, legislative and regulatory changes, market demographics, technological changes, competition, and market conditions.

Quality of Interest Rate Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of interest rate risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

Policies	Strong <input type="checkbox"/>	Satisfactory <input type="checkbox"/>	Weak <input type="checkbox"/>
----------	------------------------------------	--	----------------------------------

- The consistency of the interest rate risk policy with the bank's overall strategic direction and tolerance limits.
- The structure of the interest rate risk management function and whether responsibility and accountability is assigned at every level.
- The appropriateness of guidelines that establish risk limits or positions, including periodic reassessment.
- The reasonableness of the definitions that determine policy exceptions and guidelines for approving policy exceptions.
- The approval of the interest rate risk policy by the board or an appropriate committee.
- The adequacy of the resources devoted to managing interest rate risk.

Processes	Strong <input type="checkbox"/>	Satisfactory <input type="checkbox"/>	Weak <input type="checkbox"/>
-----------	------------------------------------	--	----------------------------------

- The adequacy of processes communicating policies and expectations to appropriate personnel.
- The effectiveness of the process to reliably provide timely, accurate, and complete management information.
- The sufficiency of monitoring compliance with policy limits.
- The appropriateness of the approval process for policy exceptions.
- The appropriateness of risk measurement systems for the nature and complexity of activities, and how these systems are incorporated into the decision-making process.
- The adequacy of risk measurement systems to capture material positions and the risks inherent within the positions.
- The extent of clearly defined and reasonable measurement assumptions.
- The quality of processes to control the accuracy, completeness and integrity of data.
- The sufficiency of periodic stress tests that use scenarios reducing or eliminating profits and the tests' capacity to project accurately the effect of certain conditions.
- The vulnerability to limitations or weaknesses of measurement tools is understood.
- The adequacy of the risk measurement process to consider both risk to earnings and risk to capital.
- The extent of consideration given to the impact of changing rates on noninterest income and expenses.
- The flexibility to modify positions in adverse rate environments in a timely manner.
- The reasonableness of responses to changes in market conditions.
- The adequacy of internal controls including separation of duties, dual controls, etc.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Personnel

- The extent of technical and managerial expertise.
- The appropriateness of performance management and compensation programs.
- The level of turnover of critical staff.
- The adequacy of training.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Control Systems

- The effectiveness of management information systems, reports, monitoring, and control functions.
- The independence of risk-monitoring and control functions from the risk-taking function(s).
- The independence and validation of models and other measurement tools.
- The existence of systems that test the reasonableness and the validity of assumptions.
- The effectiveness of monitoring systems that track policy and limit exceptions, incremental risk exposure from exceptions, and corrective actions.
- The responsiveness of control systems to identify and respond to internal control deficiencies.
- The existence of an independent and competent audit function that validates the reliability and effectiveness of models and management processes.
- The responsiveness of control systems to identified deficiencies in policy, process, and personnel.

Liquidity Risk

Quantity of Liquidity Risk

Examiners should consider the following assessment factors when making judgments about the quantity of liquidity risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Wholesale Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The volume, composition, growth trends, and projections.• The level of credit sensitivity.• The level of customer loyalty generated through direct relationship management.• The tenor, rates paid, collateralization requirements, and use of brokered deposits (greater than \$100,000).			

	Low	Moderate	High
Retail Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The volume, composition, growth trends, and projections.• The deposit mix and tenor.• The loyalty and stability of the customer base.• The use of brokered deposits (of \$100,000 or less).			

	Low	Moderate	High
Diversification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The extent to which liabilities are diversified by individual funds provider, product, tenor, market area, industry, etc.• The sufficiency of diversity by marketer, i.e., individual broker or direct placement.• The appropriateness of investment objectives or economic influences.• The extent of asset diversification as evidenced by the variety of loans and investments or other assets that could be used to raise funds.			

	Low	Moderate	High
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

On- and Off-balance-sheet Cash Flows

- The capacity to access additional unsecured market funding.
 - In the current environment.
 - In a distressed environment.
- The existence of current and projected securitization activities and associated cash flows, either as a source or potential use of funds including:
 - The extent of reliance on cash flows from securitization activities (i.e., is securitization used occasionally to enhance liquidity or is it “pipeline” financing required for ongoing business?).
 - The existence of concentrations by maturity dates or purchasers.
 - Compliance with covenants.
 - The depth and breadth of secondary markets.
 - The potential for early amortization (use of funds).
- The presence of other off-balance-sheet items which could result in cash flows to or from the balance sheet including:
 - Unused loan commitments.
 - Letters of credit or other contingent liabilities.
 - Collateral requirement agreements.
 - Early liability termination arrangements.
 - Calls, options.

	Low	Moderate	High
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Net Funding Gaps

- The volume of on- and off-balance-sheet net funding gaps.
- The extent of short- and long-term cash flow gaps in the existing structure.
- The projected growth or depletion of assets and liabilities.
- The extent of dependence on credit-sensitive sources.
- The adequacy of current and projected cash flow projections in normal environments (i.e., day-to-day activities), as well as in significantly deteriorated environments (usually best demonstrated in the contingency funding plan).
- The ability to cover projected funding gaps when needed in a cost-effective manner.

	Low	Moderate	High
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

External and Environmental Factors

- How external sources of liquidity view the bank’s current and projected:
 - Asset quality, earnings, and capital.
 - Reputation risk, or other credit-sensitive factors that could influence customer behavior.

- The impact of the parent company and affiliate's current and projected:
 - Asset quality, earnings, and capital.
 - Liquidity, especially relating to commercial paper coverage.
 - Reputation risk, or other factors that could influence customer behavior.
- The impact of the external market environment including:
 - Bank rating agency ratings and trends.
 - Relative cost of funds (debt spreads over comparable U.S. Treasury securities, compared with those of competitors).
 - Economic conditions, including job growth, migration, industry concentrations, competition, etc.

	Low	Moderate	High
Liquid Asset-based Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • The relationship of volume and trends in liquid assets compared with volume and trends of liabilities. • The volume and composition of money market assets such as fed funds sold, Eurodollars placed, and certificates of deposit (CDS) purchased. • The volume and composition of free securities (e.g., securities unencumbered by pledging and repurchase agreements). • The amount of depreciation in the free securities holdings. • The appropriateness of the unit size of free securities to provide for effective utilization. • The capacity to enhance liquidity through asset sales or securitization. • The bank's experience in asset sales or securitization markets. 			

Quality of Liquidity Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of liquidity management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The appropriateness of stated limits.
- The appropriateness of guidelines for diversification and concentrations.
- Whether the policy establishes appropriate responsibilities and accountability.
- The periodic approval of liquidity policy by the board or senior management.

	Strong	Satisfactory	Weak
Processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The adequacy of the financial planning and management strategy.
- Whether policies and expectations are communicated to appropriate personnel (starting with the asset-liability committee (ALCO) or similar committee).
- The depth of contingency funding planning.
- The appropriateness of management oversight and responsiveness.
- The adherence to, and reporting of, limit compliance.
- The adequacy of internal controls including segregation of duties, dual controls, etc.

	Strong	Satisfactory	Weak
Personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The extent of technical and managerial expertise.
- The appropriateness of the performance management and compensation programs.
- The level of turnover of critical staff.
- The adequacy of training.

	Strong	Satisfactory	Weak
Control Systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The timeliness, accuracy, and comprehensiveness of management information systems.
- The appropriateness of the distribution of management information systems reports.
- The appropriateness of limits governing balance sheet composition (ratios); cash flow (funding gaps); diversification (concentrations); and the amount provided by any one source of funds.
- The adequacy of the process for approval, monitoring, and reporting of limits.
- The adequacy of assumptions, scenario definitions, communication channels, and crisis management capabilities within the contingency funding plan.

- The timeliness and adequacy of reports to the board of directors and executive management.
- The adequacy of internal/external audit.
- The responsiveness to internal control deficiencies.
- The responsiveness of control systems to identified deficiencies in policy, process, and personnel.

Price Risk

Quantity of Price Risk

Examiners should consider the following assessment factors when making judgments about the quantity of price risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Volume of Open Positions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The level of open positions expressed as earnings and/or capital at risk.
- The size of illiquid positions.

	Low	Moderate	High
Market Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The price sensitivity to various market factors (e.g., foreign exchange, interest rates, equity, or commodity prices) in portfolios without options (linear portfolios).

	Low	Moderate	High
Options Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The existence of nonlinear price sensitivity to changes in market factors.
- The existence of discontinuous option exposure (e.g., the exposure arising from path-dependent options).

	Low	Moderate	High
Basis Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The volume of potential exposure caused by a change in the correlation between two prices (e.g., when the price of a derivative instrument and the price of an asset it is hedging do not move in tandem).

	Low	Moderate	High
Concentration of Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The level and diversification among products or types of products.
- The existence of concentrations in market factors (e.g., option strike prices).

	Low	Moderate	High
Product Liquidity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The volume of readily marketable products that generally can be liquidated or hedged within a reasonable time frame.
- The volume of illiquid products whose prices may decline because managers need a relatively long time to liquidate or effectively hedge them.

	Low	Moderate	High
Stability of Trading Revenue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Revenue derived from customer-initiated trades in proportion to revenue derived from proprietary trading activity.

Quality of Price Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of price risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The consistency of the price risk policy with the bank's overall strategic direction and tolerance limits.
- Risk-taking is clearly defined, and the risk-taking function assigns responsibility and accountability at every level.
- The price risk guidelines establish limits or positions and call for periodic revaluation.
- The approval of the price risk policy by the board or an appropriate committee.
- The existence of adequate standards for independent model validation, given the bank's price risk.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes			
<ul style="list-style-type: none"> • The amount of oversight provided by management and the board. • The comprehensiveness of the strategic planning process. • The adequacy of process controls over new product development. • The processing capabilities of the front and back office systems, considering the current and projected size and scope of the trading operation. • The appropriateness of trading management oversight (i.e., approving and monitoring compliance with limits, communicating policies and expectations to appropriate personnel). • The adequacy of independent measurement and analysis of risk under a variety of scenarios, including stress tests. • The adequacy of the models used for testing revenue vulnerability under probable and stress test scenarios. • The adequacy of the internal controls for trading operations (front and back office) including segregation of duties, dual controls, etc. 			

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personnel			
<ul style="list-style-type: none"> • The extent of managerial expertise. • The technical expertise of traders. • The understanding and adherence to the strategic direction and risk tolerance as defined by senior management and the board. 			

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Control Systems			
<ul style="list-style-type: none"> • The accuracy, completeness, and integrity of management information systems. • The adequacy and independence of validations processes for trading models and methods. • The reasonableness, communication, and monitoring of limit structures. • The frequency and reliability of revaluations of individual position-taking. • The potential exposure to trading losses as measured under normal and adverse scenarios. • The adequacy of internal and external audit. • The responsiveness of management to internal control deficiencies. • The responsiveness of control systems to identified deficiencies in policy, process, and personnel. 			

Foreign Currency Translation Risk

Quantity of Foreign Currency Translation Risk

Examiners should consider the following assessment factors when making judgments about the quantity of foreign currency translation risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

Is there a material amount of capital at risk from foreign currency translation?

☐ Yes ☐ No If no, skip this section and go to quality of risk management.

	Low	Moderate	High
Structural Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The level of capital subject to revaluation from currency translation requirements.• The potential volatility of capital ratios from translating accounts denominated in other currencies to their dollar equivalent, including an analysis of recent trends and projections.• The extent of exposure to foreign currency translation risk considering:<ul style="list-style-type: none">– The volume and stability of the portfolio.– The level of income items denominated in foreign currencies (e.g., revenues and expenses).– The mismatching of assets and liabilities denominated in a foreign currency.– The types of products held in foreign currency accounts (e.g., loans, bonds, derivatives).– The volume of sovereign issuances compared with privately backed issues.			

	Low	Moderate	High
Strategic Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The effectiveness of hedging activities to control exposure to translation risk by:<ul style="list-style-type: none">– Matching of foreign asset and liability cash flows.– Hedging projected income.– Using financial contracts (futures, options, etc).			

- The volume and tenor of foreign currency/U.S.-dollar-denominated mismatches.
- The volume and tenor of cross-currency (not involving dollar-denominated items) mismatches.
- The vulnerability to the true economic value of the hedging instrument.
- The impact of changes in business strategies.

	Low	Moderate	High
External Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The exposure to market volatility or other external factors such as economic conditions, legislative changes, technological changes, and competition.

Quality of Foreign Currency Translation Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of foreign currency translation risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The appropriateness of policies to address hedging requirements and standards.
- The adequacy of policies to address the appropriateness and use of monitoring systems.
- The existence of standards that detail the results expected from hedging activities.
- The reasonableness of exposure limits defined within policies.
- The responsibility and accountability for activities that create a foreign currency translation risk operation is clearly defined at all levels.
- The approval of a policy for foreign currency translation activities by the board or an appropriate committee.

	Strong	Satisfactory	Weak
Processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The adequacy of the internal controls for hedging operations (front and back-office) including segregation of duties, dual controls, etc.
- The adequacy of controls over new product development.

- The adequacy of independent measurement and analysis of risk under a variety of scenarios, including stress tests.
- The adequacy of data systems and reports.
- The adequacy of management supervision and board oversight.
- The processing capabilities of the front and back-office systems, considering the current and projected size and scope of foreign-currency-denominated activities.
- The appropriateness of management oversight (i.e., approving and monitoring compliance with limits, communicating policies and expectations to appropriate personnel).

Personnel **Strong** ☐ **Satisfactory** ☐ **Weak** ☐

- The extent of managerial expertise.
- The technical expertise of staff members.
- The understanding and adherence to the strategic direction and risk tolerance as defined by senior management and the board.

Control Systems **Strong** ☐ **Satisfactory** ☐ **Weak** ☐

- The accuracy, completeness, and integrity of management information systems.
- The adequacy of internal and external audit.
- The responsiveness of control systems to identified deficiencies in policy, process, and personnel.
- The responsiveness of independent risk and internal control functions to deficiencies.

Transaction Risk

Quantity of Transaction Risk

Examiners should consider the following assessment factors when making judgments about the quantity of transaction risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
The volume, type, and complexity of transactions, products, and services offered through the bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The condition, security, capacity, and recoverability of systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The complexity of conversions, integrations, and system changes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The development of new markets, products, services, technology, and delivery systems in order to maintain competitive position and gain strategic advantage.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The volume and severity of operational, administrative, and accounting control exceptions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Quality of Transaction Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of transaction risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The consistency of policies with the strategic direction of the bank.
- The structure of the bank's operations and whether responsibility and accountability is assigned at every level.
- The reasonableness of definitions that determine policy exceptions.
- The periodic review and approval of policies by the board or an appropriate committee.
- The reasonableness of guidelines that establish risk limits or positions.

	Strong	Satisfactory	Weak
Processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The adequacy of processes communicating policies and expectations to appropriate personnel.
- The provision of timely and useful management information systems reports.
- The approval and monitoring of compliance with policies.
- The appropriateness of the approval process.
- Control over the accuracy, completeness, and integrity of data.
- Management's responsiveness to regulatory, industry, and technology changes, such as year 2000 computer refinements.
- The adequacy of business continuity planning.
- The incorporation of project management into daily operations (e.g., systems development, capacity, change control, due diligence, and outsourcing).
- The adequacy of processes defining the systems architecture for transaction processing and for delivering products and services.
- The adequacy of systems to monitor capacity and performance.
- The effectiveness of processes developed to ensure the integrity and security of systems and the independence of operating staff.
- The adequacy of system documentation history.
- The adequacy of processes to ensure the reliability and retention of information, including business continuity planning (i.e., data creation, processing, storage, and delivery).
- The adequacy of internal controls including segregation of duties, dual controls, etc.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Personnel

- The appropriateness of performance management and compensation programs
- The level of turnover of critical staff.
- The adequacy of training.
- The extent of managerial expertise.
- The understanding of and adherence to the strategic direction and risk tolerance as defined by senior management and the board.

	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Control Systems

- The effectiveness and independence of risk review, quality assurance, and audit functions.
- The accuracy, completeness, and integrity of management information systems and reports.
- The existence of exception monitoring systems that identify and measure incremental risk by how much (in frequency and amount) the exceptions deviate from policy and established limits.
- The responsiveness to identified internal deficiencies in policy, process, personnel and controls.
- The responsiveness to internal control deficiencies.
- The independent testing of processes to ensure ongoing reliability and integrity.

Compliance Risk

Quantity of Compliance Risk

Examiners should consider the following assessment factors when making judgments about the quantity of compliance risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Business Activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">The nature and extent of business activities, including new products and services.			
Noncompliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">The volume and significance of noncompliance and nonconformance with policies and procedures, laws, regulations, prescribed practices, and ethical standards.			
Litigation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">The amount and significance of litigation and customer complaints.			

Quality of Compliance Risk Management

Examiners should consider the following assessment factors when making judgments about the quality of compliance risk management. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment. These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk management is strong, satisfactory, or weak.

	Strong	Satisfactory	Weak
Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The appropriateness of established risk limits.
- The consistency of policies with the strategic direction of the bank.
- The structure of the compliance operation and whether responsibility and accountability is assigned at every level.
- The reasonableness of definitions that determine policy exceptions.
- The periodic approval of compliance policies by the board or an appropriate committee.

	Strong	Satisfactory	Weak
Processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The timely communication of policies and expectations to appropriate personnel.
- The adequacy of controls over new product development.
- The adequacy of data systems and reports.
- The adequacy of management supervision and board oversight.
- The adequacy of internal controls including segregation of duties, dual controls, etc.
- The provision of timely and useful management information systems reports.
- The effectiveness of processes controlling the accuracy, completeness, and integrity of data.
- The adequacy of processes assimilating legislative and regulatory changes into all aspects of the company.
- The commitment to ensuring that appropriate resources are allocated to training and compliance.
- The extent to which violations or noncompliance are identified internally and corrected.
- The adequacy of integrating compliance considerations into all phases of corporate planning.

	Strong	Satisfactory	Weak
Personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The appropriateness of performance management and compensation programs.
- The degree of turnover of critical staff.
- The adequacy of training.
- The extent of managerial expertise.
- The understanding and adherence to the strategic direction and risk tolerance as defined by senior management and the board.

Control Systems	Strong <input type="checkbox"/>	Satisfactory <input type="checkbox"/>	Weak <input type="checkbox"/>
<ul style="list-style-type: none"> • The effectiveness and independence of the risk review, quality assurance, and audit functions. • The accuracy, completeness, and integrity of management information systems and reports. • The existence of exception monitoring systems that identify and measure incremental risk by how much (in frequency and amount) the exceptions deviate from policy and established limits. • The responsiveness to identified internal deficiencies in policies, processes, personnel, and controls. • The responsiveness to internal control deficiencies. 			

Strategic Risk

Examiners should consider the following assessment factors when making judgments about the aggregate strategic risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Strategic Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The magnitude of change in established corporate mission, goals, culture, values, or risk tolerance.• The financial objectives as they relate to the short- and long-term goals of the bank.• The market situation, including product, customer demographics, and geographic position.• Diversification by product, geography, and customer demographics.• Past performance in offering new products and services.• Merger and acquisition plans and opportunities.• Potential or planned entrance into new businesses or product lines.			
External Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The impact of economic, industry, and market conditions; legislative and regulatory change; technological advances; and competition.			
Management, Processes, and Systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none">• The expertise of senior management and the effectiveness of the board of directors.• The priority and compatibility of personnel, technology, and capital resources allocation with strategic initiatives.• Past performance in offering new products or services and evaluating potential and consummated acquisitions.• The effectiveness of management's methods of communicating, implementing, and modifying strategic plans, and consistency with stated risk tolerance.• The accuracy, quality, and integrity of management information systems.			

- The adequacy and independence of controls to monitor business decisions.
- The responsiveness to deficiencies in internal controls.
- The quality and integrity of reports to the board of directors necessary to oversee strategic decisions.
- The ability to manage fair lending and community reinvestment issues in conjunction with strategic initiatives.

Reputation Risk

Examiners should consider the following assessment factors when making judgments about the aggregate reputation risk. These factors are the **minimum standards** that all examiners will consider when completing a risk assessment (appendix B). These factors are the framework for the ongoing supervisory approach used in large banks. At a minimum, they should be reviewed, monitored, and analyzed during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is low, moderate, or high.

	Low	Moderate	High
Strategic Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The volume of assets and number of accounts under management or administration.
- Merger and acquisition plans and opportunities.
- Potential or planned entrance into new businesses or product lines, particularly those that test legal boundaries.

	Low	Moderate	High
External Factors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The market's or public's perception of the corporate mission, culture, and risk tolerance of the bank.
- The market's or public's perception of the bank's financial stability.
- The market's or public's perception of the quality of products and services offered by the bank.
- The impact of economic, industry, and market conditions; legislative and regulatory change; technological advances; and competition.

	Low	Moderate	High
Management, Processes, and Systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Past performance in offering new products or services and in conducting due diligence prior to startup.
- The nature and amount of litigation and customer complaints.
- The expertise of senior management and the effectiveness of the board of directors in maintaining an ethical, self-policing culture.
- Management's willingness and ability to adjust strategies based on regulatory changes, market disruptions, market or public perception, and legal losses.
- The quality and integrity of management information systems and the development of expanded or newly integrated systems.
- The adequacy and independence of controls used to monitor business decisions.

- The responsiveness to deficiencies in internal controls.
- The ability to minimize exposure from litigation and customer complaints.
- The ability to communicate effectively with the market, public, and media.
- Management's responsiveness to internal and regulatory review findings.

Internal Controls

Examiners should consider the following assessment factors when making judgments about internal controls. These factors are the **minimum standards** that all examiners will consider during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the risk is strong, satisfactory, or weak.

Control Environment	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The integrity, ethical values, and competence of personnel.
- The organizational structure of the bank.
- Management's philosophy and operating style (i.e., strategic philosophy).
- External influences affecting operations and practices (e.g., independent audits, regulatory environment, and competitive and business markets).
- Methods of assigning authority and responsibility, and organizing and developing people.
- The attention and direction provided by the board of directors and its committees, especially the audit or risk management committees.

Risk Assessment	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- External and internal factors that could affect whether strategic objectives are achieved.
- Identification and analysis of risks.
- The system used to manage and monitor the risks.
- Processes that react and respond to changing risk conditions.
- The competency, knowledge, and skills of personnel responsible for risk assessment.

Control Activities	Strong	Satisfactory	Weak
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Policies and procedures established to ensure control processes are carried out.
- Reviews of operating activities.
- Approvals and authorization for transactions and activities.
- Segregation of duties.
- Vacation requirements or periodic rotation of duties for personnel in sensitive positions.
- Safeguarding access to and use of sensitive assets and records.
- Independent checks or verifications on function performance and reconciliation of balances.
- Accountability.

Accounting, Information, and Communication **Strong** ☐ **Satisfactory** ☐ **Weak** ☐

- MIS that identify and capture relevant internal and external information in a timely manner.
- Accounting systems that ensure accountability for related assets and liabilities.
- Information systems that ensure effective communication of positions and activities.
- Contingency planning for information systems.

Self-assessment and Monitoring **Strong** ☐ **Satisfactory** ☐ **Weak** ☐

- Periodic evaluation of internal controls whether by self-assessment or independent audit.
- Systems to ensure timely and accurate reporting of deficiencies.
- Processes to ensure timely modification of policies and procedures, as needed.

After considering the above factors, the overall system of internal controls is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

CAMELS

Examiners should consider the following assessment factors when making judgments about CAMELS. These factors are the **minimum standards** that all examiners will consider during the course of a supervisory cycle (**every 12 months**) to ensure quality supervision. Examiners are required to judge, based on the review of the core assessment factors, whether the component is rated 1, 2, 3, 4, or 5. The factors are extracted from OCC Bulletin 97-1, "Uniform Financial Institutions Rating System and Disclosure of Component Ratings."

	1	2	3	4	5
Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The level and quality of capital and the overall financial condition of the institution.
- The ability of management to address emerging needs for additional capital.
- The nature, trend, and volume of problem assets and the adequacy of allowances for loan and lease losses and other valuation reserves.
- Balance sheet composition, including the nature and amount of intangible assets, market risk, concentration risk, and risks associated with nontraditional activities.
- Risk exposure represented by off-balance sheet activities.
- The quality and strength of earnings, and the reasonableness of dividends.
- Prospects and plans for growth, as well as past experience in managing growth.
- Access to capital markets and other sources of capital, including support provided by a parent holding company.

	1	2	3	4	5
Asset Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The adequacy of underwriting standards, soundness of credit administration practices, and appropriateness of risk identification practices.
- The level, distribution, severity, and trend of problem, classified, nonaccrual, restructured, delinquent, and nonperforming assets for both on- and off-balance sheet transactions.
- The adequacy of the allowance for loan and lease losses and other asset valuation reserves.
- The credit risk arising from or reduced by off-balance sheet transactions, such as unfunded commitments, credit derivatives, commercial and standby letters of credit, and lines of credit.
- The diversification and quality of the loan and investment portfolios.

- The extent of securities underwriting activities and exposure to counterparties in trading activities.
- The existence of asset concentrations.
- The adequacy of loan and investment policies, procedures, and practices.
- The ability of management to properly administer its assets, including the timely identification and collection of problem assets.
- The adequacy of internal controls and management information systems.
- The volume and nature of credit documentation exceptions.

	1	2	3	4	5
Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Conclusions from all examination areas.
- The level and quality of oversight and support of all institution activities by the board of directors and management.
- The ability of the board of directors and management, in their respective roles, to plan for and respond to risks that may arise from changing business conditions or the initiation of new activities or products.
- The adequacy of, and conformance with, appropriate internal policies and controls addressing the operations and risks of significant activities.
- The accuracy, timeliness, and effectiveness of management information and risk-monitoring systems appropriate for the institution's size, complexity, and risk profile.
- The adequacy of audits and internal controls to: promote effective operations and reliable financial and regulatory reporting; safeguard assets; and ensure compliance with laws, regulations, and internal policies.
- Compliance with laws and regulations.
- Responsiveness to recommendations from auditors and supervisory authorities.
- Management depth and succession.
- The extent to which the board of directors and management is affected by, or susceptible to, a dominant influence or a concentration of authority.
- Reasonableness of compensation policies and avoidance of self-dealing.
- Demonstrated willingness to serve the legitimate banking needs of the community.
- The overall performance of the institution and its risk profile.

	1	2	3	4	5
Earnings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The level of earnings, including trends and stability.
- The ability to provide for adequate capital through retained earnings.
- The quality and sources of earnings.
- The level of expenses in relation to operations.
- The adequacy of the budgeting systems, forecasting processes, and management information systems in general.
- The adequacy of provisions to maintain the allowance for loan and lease losses and other valuation allowance accounts.
- The earnings exposure to market risk such as interest rate, foreign currency translation, and price risks.

	1	2	3	4	5
Liquidity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The adequacy of liquidity sources compared with present and future needs and the ability of the institution to meet liquidity needs without adversely affecting its operations or condition.
- The availability of assets readily convertible to cash without undue loss.
- Access to money markets and other sources of funding.
- The level of diversification of funding sources, both on- and off-balance sheet.
- The degree of reliance on short-term, volatile sources of funds, including borrowings and brokered deposits, to fund longer term assets.
- The trend and stability of deposits.
- The ability to securitize and sell certain pools of assets.
- The capability of management to properly identify, measure, monitor, and control the institution's liquidity position, including the effectiveness of funds management strategies, liquidity policies, management information systems, and contingency funding plans.

	1	2	3	4	5
Sensitivity to Market Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- The sensitivity of the financial institution's earnings or the economic value of its capital to adverse changes in interest rates, commodity prices, or equity prices.
- The ability of management to identify, measure, monitor, and control exposure to market risk given the institution's size, complexity, and risk profile.
- The nature and complexity of interest rate risk exposure arising from nontrading positions.

- When appropriate, the nature and complexity of market risk exposure arising from trading and foreign operations.

	1	2	3	4	5
Composite Rating	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Risk Assessment System

Credit Risk

Credit risk is the current and prospective risk to earnings or capital arising from an obligor's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer, or borrower performance. It arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of credit risk, the quality of credit risk management, the aggregate credit risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete in full the core assessment quarterly.

Examiners should consider both the quantity of credit risk and the quality of credit risk management to derive the following conclusions.

Aggregate credit risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Credit Risk

Examiners should use the following definitions to determine the quantity of credit risk. It is not necessary to exhibit every characteristic to be accorded a specific rating.

The quantity of credit risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — Current or prospective exposure to loss of earnings or capital is minimal. Credit exposures reflect conservative structure or marketing initiatives. The volume of substantive exceptions or overrides to sound underwriting standards poses minimal risk. Exposures represent a well-diversified distribution by investment grade (or equivalently strong nonrated borrowers) and borrower leverage. Borrowers operate in stable markets and industries. Risk of loss from concentrations is minimal. Limited sensitivity exists due to deteriorating economic, industry, competitive, regulatory, and technological factors. Compensation is adequate to justify the risk being assumed. Portfolio growth presents no concerns. The volume of troubled credits is low relative to capital and can be resolved in the normal course of business. Credit-related losses do not meaningfully impact current reserves and result in modest provisions relative to earnings.
- **Moderate** — Current or prospective exposure to loss of earnings or capital does not materially impact financial condition. Credit exposures reflect acceptable underwriting or marketing initiatives. Substantive exceptions or overrides to sound underwriting standards may exist, but do not pose advanced risk. Exposures may include noninvestment grade (or equivalently strong nonrated borrowers) or leveraged borrowers, but borrowers typically operate in less volatile markets and industries. Exposure does not reflect significant concentrations. Vulnerability may exist due to deteriorating economic, industry, competitive, regulatory, and technological factors. Compensation is adequate to justify the risk being assumed. While advanced portfolio growth may exist within specific products or sectors, it is in accordance with a reasonable plan. The volume of troubled credits does not pose undue risk relative to capital and can be resolved within realistic time frames. Credit-related losses do not seriously deplete current reserves or necessitate large provisions relative to earnings.
- **High** — Current or prospective exposure to loss of earnings or capital is material. Credit exposures reflect aggressive underwriting or marketing initiatives. A large volume of substantive exceptions or overrides to sound underwriting standards exist. Exposures are skewed toward

noninvestment grade (or equivalently strong nonrated borrowers) or highly leveraged borrowers, or borrowers operating in volatile markets and industries. Exposure reflects significant concentrations. Significant vulnerability exists due to deteriorating economic, industry, competitive, regulatory, and technological factors. Compensation is inadequate to justify the risk being assumed. Portfolio growth, including products or sectors within the portfolio, is aggressive. The volume of troubled credits may be large relative to capital and may require an extended time to resolve. Credit-related losses may seriously deplete current reserves or necessitate large provisions relative to earnings.

Quality of Credit Risk Management

Examiners should use the following definitions to determine the quality of credit risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of credit risk management is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

- **Strong** — The credit policy function comprehensively defines risk tolerance, responsibilities, and accountabilities. All aspects of credit policies are effectively communicated. The credit culture, including compensation, strikes an appropriate balance between marketing and credit considerations. The credit granting process is extensively defined, well understood and adhered to consistently. Credit analysis is thorough and timely. Risk measurement and monitoring systems are comprehensive and allow management to proactively implement appropriate actions in response to changes in asset quality and market conditions. Credit risk information systems are sophisticated, effectively integrated into the risk management process, and regularly updated. Internal grading and reporting accurately stratifies credit quality. Credit administration is effective. Management identifies and actively manages portfolio risk, including the risk relating to credit structure and concentrations. The ALLL method is well-defined, objective and clearly supports adequacy of current reserve levels. Personnel possess extensive technical and managerial expertise. Internal controls are comprehensive and effective. The stature, quality, and independence of internal loan review and audit support highly effective control systems.
- **Satisfactory** — The credit policy function satisfactorily defines risk tolerance, responsibilities, and accountabilities. Key aspects of credit policies are effectively communicated. The credit culture, including compensation, appropriately balances marketing and credit

considerations. The credit granting process is well defined and understood. Credit analysis is adequate. Risk measurement and monitoring systems permit management to capably respond to changes in asset quality or market conditions. Credit risk information systems are satisfactory. Internal grading and reporting accurately stratifies portfolio quality. Credit administration is adequate. Management can identify and monitor portfolio risk, including the risk relating to credit structure. Management's attention to credit risk diversification is adequate. The ALLL method is satisfactory and results in sufficient coverage of inherent credit losses. Personnel possess requisite technical and managerial expertise. Key internal controls are in place and effective. The stature, quality, and independence of internal loan review and audit is appropriate.

- **Weak** — The credit policy function may not effectively define risk tolerance, responsibilities, and accountabilities. Credit policies are not effectively communicated. The credit culture, including compensation, overemphasizes marketing relative to credit considerations. The credit granting process is not well defined or not well understood. Credit analysis is insufficient relative to the risk. Risk measurement and monitoring systems may not permit management to implement timely and appropriate actions in response to changes in asset quality or market conditions. Credit risk information systems may be deficient. Internal grading and reporting of credit exposure does not accurately stratify the portfolio's quality. Credit administration is ineffective. Management is unable to identify and monitor portfolio risk, including the risk relating to credit structure. Management's attention to credit risk diversification is inadequate. The ALLL method is flawed and may result in insufficient coverage of inherent credit losses. Personnel lack requisite technical and managerial expertise. Key internal controls may be absent or ineffective. The stature, quality, or independence of internal loan review and/or audit is lacking.

Interest Rate Risk

Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in bank products (options risk).

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of interest rate risk, the quality of interest rate risk management, the aggregate interest rate risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of interest rate risk and the quality of interest rate risk management to derive the following conclusions.

Aggregate interest rate risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting Narrative Comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Interest Rate Risk

Examiners should use the following definitions to determine the quantity of interest rate risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of interest rate risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — Exposure reflects minimal repricing, basis, yield curve, and options risk. Positions used to manage interest rate risk exposure are well correlated to underlying risks. No significant mismatches on longer term positions exist. The current or future volatility of earnings and capital is relatively insensitive to changes in interest rates or the exercise of options. Interest rate movements will have minimal adverse impact on the earnings and capital of the bank.
- **Moderate** — Exposure reflects manageable repricing, basis, yield curve, and options risk. Positions used to manage interest rate risk exposure are somewhat correlated. Mismatches on longer term positions are managed. The volatility in earnings or capital is not significantly effected by changes in interest rates or the exercise of options. Interest rate movements will not have a significant adverse impact on the earnings and capital of the bank.
- **High** — Exposure reflects significant repricing, basis, yield curve, or options risk. Positions used to manage interest rate risk exposure are poorly correlated. Significant mismatches on longer term positions exist. Current or future volatility in earnings or capital due to changes in interest rates or the exercise of options are substantial. Interest rate movements could have a significant adverse impact on the earnings and capital of the bank.

Quality of Interest Rate Risk Management

Examiners should use the following definitions to determine the quality of interest rate risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of interest rate risk management is:

☐ Strong

☐ Satisfactory

☐ Weak

- **Strong** — Management fully understands all aspects of interest rate risk management from the earnings and economic perspectives, as appropriate. Discretionary risk positions are effectively measured and controlled. Management anticipates and quickly responds to changes in market conditions. Interest rate risk is well understood at all appropriate levels of the organization. The interest rate risk management process is effective and proactive. Measurement tools and methods are appropriate given the size and complexity of the bank's on- and off-balance-sheet exposures and enhance decision making by providing meaningful and timely information under a variety of defined and reasonable rate scenarios. Few, if any, weaknesses or deficiencies exist. Management information at various levels of the organization is timely, accurate, complete, and reliable. Limit structures provide clear parameters for risk to earnings and capital under normal and adverse scenarios. Staff responsible for measuring exposures and monitoring risk limits are independent from staff executing risk-taking decisions.
- **Satisfactory** — Management reasonably understands the key aspects of interest rate risk management from the earnings and economic perspectives, as appropriate. Discretionary risk positions are properly measured and controlled. Management adequately responds to changes in market conditions. Knowledge of interest rate risk exists at appropriate levels throughout the organization. The interest rate risk management process is adequate. Measurement tools and methods may have minor weaknesses, but are appropriate given the size and complexity of the bank's on- and off-balance-sheet exposures. Management information at various levels in the organization is satisfactory, given the nature of the bank's activities. Limit structures are reasonable and sufficient to control the risk to earnings and capital under normal and adverse interest rate scenarios. Staff responsible for measuring exposures and monitoring risk are independent from staff executing risk-taking decisions.
- **Weak** — Management may not satisfactorily understand interest rate risk management from the earnings or economic perspective. Discretionary risk positions are not adequately measured or controlled. Management does not take timely or appropriate actions in response to changes in market conditions. Knowledge of interest rate risk may be lacking at appropriate management levels throughout the organization. The interest rate risk management process is deficient, given the relative size and complexity of the bank's on- and off-balance-sheet exposures. Measurement tools and methods are inadequate or inappropriate given the size and complexity of the bank's on- and off-balance-sheet

exposures. Management information at various levels in the organization exhibits significant weaknesses and may not consolidate total exposures. Limit structures are not reasonable, or do not reflect an understanding of the risks to earnings and capital under normal and adverse scenarios. Staff responsible for measuring exposures and monitoring risk are not independent from staff executing risk-taking decisions.

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of liquidity risk, the quality of liquidity risk management, the aggregate liquidity risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of liquidity risk and the quality of liquidity risk management to derive the following conclusions.

Aggregate liquidity risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Liquidity Risk

Examiners should use the following definitions to determine the quantity of liquidity risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of liquidity risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — The bank is not vulnerable to funding difficulties should a material adverse change in market perception occur. Earnings and capital exposure from the liquidity risk profile is negligible. Sources of deposits and borrowings are widely diversified, with no material concentrations. Ample funding sources and structural cash flow symmetry exist in all tenors. Stable deposits and a strong market acceptance of the bank's name offers the bank a competitive liability cost advantage. Reasonable alternatives to credit-sensitive funding, if relied upon, have been identified by management and can easily be implemented with no disruption in strategic lines of business.
- **Moderate** — The bank is not excessively vulnerable to funding difficulties should a material adverse change in market perception occur. Earnings or capital exposure from the liquidity risk profile is manageable. Sources of funding are reasonably diverse but minor concentrations may exist, and funds providers may be moderately credit sensitive. Some groups of providers may share common investment objectives or be subject to similar economic influences. Sufficient funding sources, and structural balance sheet and cash flow symmetry exist to provide stable, cost-effective liquidity in most environments, without significant disruption in strategic lines of business.
- **High** — The bank's liquidity profile makes it vulnerable to funding difficulties should a material adverse change occur. Significant concentrations of funding may exist, or there may be a significant volume of providers that are highly credit-sensitive. Large funds providers may share common investment objectives or be subject to similar economic influences. The bank may currently, or potentially, experience market resistance which could impact its ability to access needed funds at a reasonable cost. There may be an increasing demand for liquidity with declining medium- and long-term alternatives. Funding sources and balance sheet structures may currently result in, or suggest, potential difficulty in sustaining long-term liquidity on a cost-effective basis. Potential exposure to loss of earnings or capital due to high liability costs or unplanned asset reduction may be substantial.

Liquidity needs may trigger the necessity for funding alternatives under a contingency funding plan, including the sale of or disruption in a strategic line of business.

Quality of Liquidity Risk Management

Examiners should use the following definitions to determine the quality of liquidity risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of liquidity risk management is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

- **Strong** — Management proactively incorporates all key aspects of liquidity risk into its overall risk management process, and anticipates and responds promptly to changing market conditions. Management has clearly articulated policies that provide clear insight and guidance on appropriate risk-taking and management. Management information is timely, complete, focused, and reliable. Liquidity planning is fully integrated with strategic planning, budgeting, and financial management processes. Management gives appropriate attention to managing balance sheet symmetry, cash flows, cost effectiveness, and evaluating liquidity alternatives. A comprehensive contingency funding plan exists which is fully integrated into overall risk management processes, and which will enable the bank to respond to potential crisis situations in a timely manner and to the fullest capacity of the bank.
- **Satisfactory** — Management reasonably incorporates most of the key aspects of liquidity risk. Management adequately responds to changes in market conditions. Liquidity risk management policies and practices are adequate. Liquidity planning is integrated with the strategic planning, budgeting, and financial management processes. Management information is generally timely, complete, and reliable. Management realistically assesses the funding markets and pays sufficient attention to diversification. Management attention to balance sheet symmetry, cash flow, and cost effectiveness is generally appropriate. Management has a satisfactory contingency funding plan to manage liquidity risk and is generally prepared to manage potential crisis situations.
- **Weak** — Management does not satisfactorily address key aspects of liquidity risk. Management is not anticipating or implementing timely or appropriate actions in response to changes in market conditions. Liquidity planning is not sufficiently integrated in the strategic planning, budgeting, and financial management processes. Management information systems may be deficient. Management has not realistically

assessed the bank's access to the funding markets, has paid insufficient attention to diversification, or has limited awareness of large funds providers and their sensitivity. Management attention to balance sheet and cash flow symmetry is inadequate. The contingency planning process is deficient, inhibiting management's ability to minimize liquidity problems in a deteriorating scenario or to manage potential crisis situations. Management's evaluation of liquidity alternatives does not adequately consider cost effectiveness or the availability of these alternatives in a variety of market environments.

Price Risk

Price risk is the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. This risk arises from market-making, dealing, and position-taking in interest rate, foreign exchange, equity and commodities markets.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of price risk, the quality of price risk management, the aggregate price risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of price risk and the quality of price risk management to derive the following conclusions.

Aggregate price risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Price Risk

Examiners should use the following definitions to determine the quantity of price risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of price risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — Exposure reflects limited open or illiquid price risk positions. As a result, earnings and capital are not vulnerable to significant loss. Exposure, whether arising from speculative or customer-driven transactions, involves liquid and readily manageable products, markets, and levels of activity.
- **Moderate** — Exposure, whether arising from speculative or customer-driven transactions, reflects moderate open or illiquid price risk positions, limiting the potential for significant loss to earnings and capital. The bank has access to a variety of risk management instruments and markets at reasonable costs, given the size, tenor and complexity of open positions.
- **High** — Exposure reflects significant open or illiquid price risk positions, exposing the bank to a significant loss of earnings and capital. Exposure may arise from transactions or positions that are taken as a result of management or trader views of the market, in conjunction with customer transactions, or from market-making activities. Exposures may be difficult or costly to close out or hedge due to size, complexity, or generally illiquid markets, tenors, or products.

Quality of Price Risk Management

Examiners should use the following definitions to determine the quality of price risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of price risk management is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

- **Strong** — Several members of bank management fully understand price risk. Management actively monitors and understands products, market trends, and changes in market conditions. Management information at

various levels within the organization provides a clear assessment of price risk, aggregate risk levels, and addresses limit compliance and exceptions. Models and methodologies are independently validated, tested, and documented. There is a sound independent valuation process for all significant positions. Management fully researches and documents the risk of new product initiatives prior to implementation. Limit structures are reasonable, clear, and effectively communicated. The limits also reflect a clear understanding of the risk to earnings and capital under normal and adverse scenarios. Staff responsible for measuring and monitoring price risk is well qualified and independent from risk-taking activities.

- **Satisfactory** — Management understands the key aspects of price risk. Management adequately responds to changes in market conditions. Price risk management processes address major exposures. Risk measurement tools and methods may have minor deficiencies or weaknesses, but are sufficient, given the size and complexity of activities. Management information reasonably portrays risk positions and addresses limit compliance and exceptions. Models and methodologies are validated and acceptable. Positions are independently valued. Management considers the risk of new product initiatives prior to implementation. Limit structures are reasonable, clear, and effectively communicated. Limits also reflect an understanding of the risk to earnings and capital under normal and adverse scenarios. Staff responsible for measuring and monitoring price risk are qualified and independent from risk-taking activities.
- **Weak** — Management does not satisfactorily address key aspects of price risk. Management is not implementing timely or appropriate actions in response to changes in market conditions. Knowledge of price risk may be lacking at appropriate management levels throughout the organization. The price risk management process is deficient in one or more of the following ways. Risk measurement tools and methods are inadequate given the size and complexity of activities. Management information at various levels within the organization does not accurately characterize risk positions, or address limit compliance and exceptions. Position valuations are performed infrequently, exclude major products, or may not be sufficiently independent. Management does not adequately consider the risk of new product initiatives prior to implementation. Limit structures may not be reasonable, clear, or effectively communicated. Limits also may not reflect a complete understanding of the risk to earnings and capital. Staff responsible for measuring and monitoring price risk are not independent of risk-taking activities.

Foreign Currency Translation Risk

Foreign currency translation risk is the current and prospective risk to capital or earnings arising from the conversion of a bank's financial statements from one currency into another. It refers to the variability in accounting values for a bank's equity accounts that result from variations in exchange rates which are used in translating carrying values and income streams in foreign currencies to U.S. dollars. Market-making and position-taking in foreign currencies should be captured under price risk.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of foreign currency translation risk, the quality of foreign currency translation risk management, the aggregate foreign currency translation risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of foreign currency translation risk and the quality of foreign currency translation risk management to derive the following conclusions.

Aggregate foreign currency translation risk is: Not Applicable ☐

☐ Low

☐ Moderate

☐ High

The direction of change is expected to be:

☐ Decreasing

☐ Stable

☐ Increasing

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Foreign Currency Translation Risk

Examiners should use the following definitions to determine the quantity of foreign currency translation risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of foreign currency translation risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — Non-U.S. dollar-denominated exposures exist, but translation adjustments will have an immaterial impact on capital.
- **Moderate** — Non-U.S. dollar-denominated exposures exist, but translation adjustments are not expected to have an adverse impact on capital.
- **High** — Non-U.S. dollar-denominated exposures could produce accounting translation adjustments which will have a material adverse impact on capital.

Quality of Foreign Currency Translation Risk Management

Examiners should use the following definitions to determine the quality of foreign currency translation risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of foreign currency translation risk management is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

- **Strong** — Management fully understands all aspects of foreign currency translation risk. Management anticipates and responds well to changes in market conditions. Exposures are effectively measured, actively managed and monitored independently. Hedging objectives are comprehensive and well communicated.
- **Satisfactory** — Management understands the key aspects of foreign currency translation risk. Management recognizes and responds to changes in market conditions. Exposures are adequately measured and controlled. Hedging objectives are reasonable and effectively communicated.

- **Weak** — Management does not satisfactorily address key aspects of foreign currency translation risk. Management is not anticipating or implementing timely or appropriate actions in response to changes in market conditions. Exposures are not measured, managed effectively, or monitored independently. Hedging objectives are not reasonable, clear, or effectively communicated.

Transaction Risk

Transaction risk is the current and prospective risk to earnings and capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. Risk is inherent in efforts to gain strategic advantage, and in the failure to keep pace with changes in the financial services marketplace. Transaction risk is evident in each product and service offered. Transaction risk encompasses: product development and delivery, transaction processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of transaction risk, the quality of transaction risk management, the aggregate transaction risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of transaction risk and the quality of transaction risk management to derive the following conclusions.

Aggregate transaction risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Transaction Risk

Examiners should use the following definitions to determine the quantity of transaction risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of transaction risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — The level of transaction processing, complexity of operations, and the state of systems development expose the bank to negligible reputation risk and loss of earnings and capital. The volume and complexity of products and services expose the bank to minimal risk from fraud or error, processing disruptions, control failures, or system development weaknesses. Risk from planned strategic initiatives is minimal.
- **Moderate** — The level of transaction processing, complexity of operations, and the state of systems development expose the bank to increased reputation risk or loss of earnings and capital. The volume and complexity of products and services raise potential risks from fraud or error, processing disruptions, control failures, or system development weaknesses. Risk from planned strategic initiatives exists, but is manageable.
- **High** — The level of transaction processing, complexity of operations, and state of systems development expose the bank to significant damage to reputation or loss of earnings and capital. The volume and complexity of products and services significantly raise potential risks from fraud or error, processing disruptions, control failures, or systems development weaknesses. Risk is heightened by planned strategic initiatives (e.g., conversions, merger integration, emerging products, and technology).

Quality of Transaction Risk Management

Examiners should use the following definitions to determine the quality of transaction risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of transaction risk management is:

☐ Strong

☐ Satisfactory

☐ Weak

- **Strong** — Management anticipates and responds to key aspects of risk associated with operational changes, systems development, and emerging technologies. The bank's systems and processes effectively address exposure to transaction risks. Management has implemented sound information systems, internal controls, and audit coverage, although minor deficiencies may exist. Risks from new products, services, and planned strategic initiatives are well controlled.
- **Satisfactory** — Management satisfactorily addresses key aspects of risk. Management adequately responds to risks associated with operational changes, systems development, and emerging technology. Systems and processes adequately address significant transaction risks. Operating processes, information systems, internal controls, and audit coverage are satisfactory although deficiencies exist. Management has implemented controls that mitigate risks from new products, services, or planned strategic initiatives.
- **Weak** — Management may not satisfactorily address key aspects of transaction risk. Management does not anticipate or implement appropriate actions to respond to the increasing complexity of operations, systems development needs, or emerging technology. Systems and processes to control transaction risk are ineffective and may need substantial enhancement. Significant weaknesses exist in operations, information systems, internal controls, or audit coverage. Inadequate planning or due diligence expose the bank to significant risk from activities such as the introduction of new products and services or planned strategic initiatives.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the bank's clients may be ambiguous or untested. This risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and lack of contract enforceability.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the quantity of compliance risk, the quality of compliance risk management, the aggregate compliance risk, and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Examiners should consider both the quantity of compliance risk and the quality of compliance risk management to derive the following conclusions.

Aggregate compliance risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support all ratings in one narrative comment (i.e., aggregate risk, direction of change expected, quantity of risk, and quality of risk management) in the OCC's electronic information system.

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Quantity of Compliance Risk

Examiners should use the following definitions to determine the quantity of compliance risk. It is not necessary to meet every qualifier to be accorded a specific rating.

The quantity of compliance risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

- **Low** — The nature and extent of business activities limit the company's potential exposure to violations or noncompliance. The bank has few violations. Violations will not impact reputation, value, earnings, or business opportunity. The bank's history of complaints or litigation is good.
- **Moderate** — The nature and extent of business activities may increase the potential for violations or noncompliance. The bank may have violations outstanding which are correctable in the normal course of business without impacting reputation, value, earnings, or business opportunity. The bank's history of complaints or litigation is not a concern.
- **High** — The nature and extent of business activities significantly increase the potential for serious or frequent violations or noncompliance. The bank may have substantive violations outstanding which could impact reputation, value, earnings, or business opportunity. The bank may have a history of serious complaints or litigation.

Quality of Compliance Risk Management

Examiners should use the following definitions to determine the quality of compliance risk management. It is not necessary to meet every qualifier to be accorded a specific rating.

The quality of compliance risk management is:

<input type="checkbox"/> Strong	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak
---------------------------------	---------------------------------------	-------------------------------

- **Strong** — Management anticipates and addresses key aspects of compliance risk. Management takes timely and effective actions in response to compliance issues or regulatory changes. Compliance management systems are good. Management provides substantial resources and has established and timely enforced accountability for

compliance performance. Compliance considerations are an integral part of product or system developments.

- **Satisfactory** — Management addresses key aspects of compliance risk. Management takes appropriate actions in response to compliance issues or regulatory changes. Compliance management systems are adequate. Management provides appropriate resources and has established or enforced accountability for compliance performance. Compliance considerations are incorporated into product or system developments.
- **Weak** — Management does not satisfactorily address key aspects of compliance risk. Management is not anticipating or implementing timely or appropriate actions in response to compliance issues or regulatory changes. Compliance management systems are deficient. Management has not provided adequate resources or training, and/or has not established or enforced accountability for compliance performance. Errors are often not detected internally, or corrective actions are often ineffective. Compliance considerations are not incorporated into product or system developments.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

Summary Conclusions

Conclusions from the core assessment (appendix A) allow examiners to assess the composite strategic risk and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Composite strategic risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support ratings in one narrative comment in the OCC's electronic information system.
--

Document changes in the OCC's electronic information system to the supervisory strategy due to changes in risk profile.

Examiners should use the following definitions to determine the composite strategic risk. It is not necessary to meet every qualifier to be accorded a specific rating.

- **Low** — The impact of strategic decisions or external pressures is expected to nominally affect franchise value. Exposure reflects strategic goals that are sound, and are very compatible with business direction and a changing environment. Initiatives are well conceived and supported by capital, systems, and management resources for the foreseeable future. Strategic direction and organizational efficiency are enhanced by the depth of management talent. Management has been successful in accomplishing past goals. Initiatives are supported by sound due diligence and effective risk management systems. Strategic decisions can be reversed without significant cost or difficulty. Strategic goals and the corporate culture are effectively communicated and consistently applied throughout the organization. Management information systems effectively support strategic direction and initiatives.
- **Moderate** — The impact of strategic decisions or external pressures is not expected to significantly affect franchise value. Exposure reflects strategic goals that may be aggressive but compatible with the institution's direction and responsive to changes in the environment. Initiatives are supported by capital, systems, and management resources for the foreseeable future. Management has demonstrated the ability to implement goals and objectives. Management has a reasonable record in decision making and controls. Strategic decisions can be reversed without significant cost or difficulty. The quality of due diligence and risk management is consistent with the strategic issues confronting the organization. Strategic goals and the corporate culture are appropriately communicated and consistently applied throughout the organization. Management information systems reasonably support the company's strategic direction.
- **High** — The impact of strategic decisions or external pressures is expected to adversely affect franchise value. Strategic initiatives may be overly aggressive or incompatible with business direction. Strategic goals may be nonexistent, poorly defined, or fail to consider changes in the business environment. These weaknesses significantly increase the need for a proper balance between the institution's tolerance for risk and willingness to supply supporting resources. Emphasis on substantive growth or expansion may result in earnings volatility or capital pressure. Management or available resources may be insufficient to accomplish planned initiatives or to make necessary competitive changes. Less than effective risk management systems and lack of adequate due diligence has resulted in deficiencies in management decision making abilities and may undermine effective evaluation of resources and commitment to

new products and services, or acquisitions. Strategic decisions may be difficult or costly to reverse. Strategic goals and the corporate culture may not be clearly communicated and consistently applied throughout the organization. Management information systems may be insufficient to support the company's strategic direction or address a changing environment.

Reputation Risk

Reputation risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. Reputation risk exposure is present throughout the organization and includes the responsibility to exercise an abundance of caution in dealing with customers and the community.

Summary Conclusions

Conclusions from the core assessment (Appendix A) allow examiners to assess the composite reputation risk and the direction of change. The RAS must be **updated quarterly** to reflect the most accurate risk profile of the institution; however, examiners normally will not need to complete the core assessment in full quarterly.

Composite reputation risk is:

<input type="checkbox"/> Low	<input type="checkbox"/> Moderate	<input type="checkbox"/> High
------------------------------	-----------------------------------	-------------------------------

The direction of change is expected to be:

<input type="checkbox"/> Decreasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
-------------------------------------	---------------------------------	-------------------------------------

Supporting narrative comment:

Support ratings in one narrative comment in the OCC's electronic information system.
--

Document changes to supervisory strategy due to changes in risk profile.
--

Examiners should use the following definitions to determine the composite reputation risk. It is not necessary to meet every qualifier to be accorded a specific rating.

- **Low** — Vulnerability to changes in market and public perception is nominal due to favorable market and public perception of the institution. The level of litigation, losses, and customer complaints is minimal. The potential exposure to franchise value is nominal relative

to the number of accounts, the volume of assets under management, and the number of affected transactions. Management anticipates and responds well to changes of a market or regulatory nature that impact its reputation in the marketplace. Management fosters a sound culture and administrative procedures and processes that are well supported throughout the organization and have proven very successful over time. Management is well versed in complex risks and has avoided conflicts of interest and other legal or control breaches. Management information systems, internal controls, and audit are very effective.

- **Moderate** — Vulnerability to changes in market and public perception is not material given the level of litigation, losses, and customer complaints. The potential exposure is manageable and commensurate with the volume of business conducted. Management adequately responds to changes of a market or regulatory nature that impact the institution's reputation in the marketplace. Management has a good record of self-policing and correcting problems. Any deficiencies in management information systems are minor. Administration procedures and processes are satisfactory. The bank has avoided conflicts of interest and other legal or control breaches. Risk management processes, internal controls, and audit are generally effective.
- **High** — Vulnerability to changes in market and public perception is material in light of significant litigation, large losses, or persistent customer dissatisfaction. The potential exposure may be increased by the number of accounts, the volume of assets under management, or the number of affected transactions. Management does not anticipate or take timely or appropriate actions in response to changes of a market or regulatory nature. Weaknesses may be observed in one or more critical operational, administrative, or investment activities. The institution's performance in self-policing risk is suspect. Management has either not initiated, or has a poor record of, corrective action to address problems. Management information at various levels of the organization may exhibit significant weaknesses. Poor administration, conflicts of interest, and other legal or control breaches may be evident. Risk management processes, internal controls, or audit may be less than effective in reducing exposure.

Risk Matrix

Quality of Risk Management	Weak	Moderate	High Moderate Quantity Precludes "Highest"	Highest
	Satisfactory	Low Satisfactory Risk Management Precludes "Lowest"	Moderate	High Satisfactory Risk Management Precludes "Highest"
	Strong	Lowest	Low Moderate Quantity Precludes "Lowest"	Moderate
		Low	Moderate	High
		Quantity of Risk		

Note:

This matrix illustrates elements to consider in the risk decision process. The matrix represents how an aggregate risk assessment can be made based on the quantity of risk and the quality of risk management for each type of risk. When making the aggregate risk decision, however, examiners should feel free to consider other factors not depicted on this diagram.

Examiners can use a similar, one-dimensional risk matrix for composite risk decisions.

OCC Issuances

Comptroller's Handbook, "Bank Supervision Process"

Comptroller's Handbook, "Examination Planning and Control"

Comptroller's Handbook, "Community Bank Supervision"

Examining Circular 263, "Supervisory Monitoring System"

OCC Advisory Letter 97-6, "Year 2000 and Examination Approach"

OCC Bulletin 97-1, "Uniform Financial Institutions Rating System and Disclosure of Component Ratings"

PPM 5400-8, "Examination Working Papers"